S&P Global Market Intelligence

Dividend Forecasting Bi-weekly Brief

6th December 2022

APAC what to watch

KOSPI 200: Lotte Chemical to be most hard-hit among Korean chemical dividends

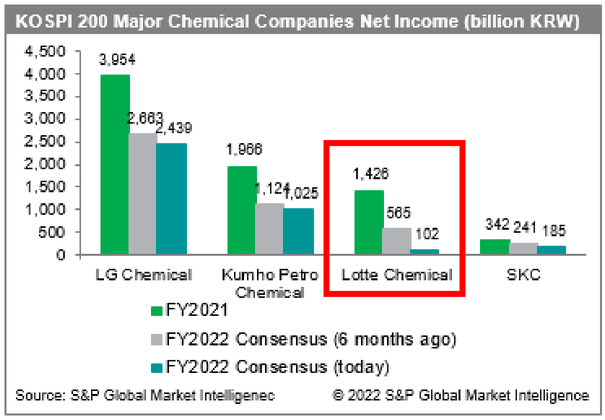
S&P Global MI revises down forecast on Lotte Chemical's FY2022 final dividend from KRW3,700 to KRW1,000. Lotte, a Top 3 chemical firm by market capitalization in KOSPI, is realigning itself for transition to "green businesses" (bio-plastic, battery materials, etc.). Hefty Capex is on the way, starting with KRW 4.1tn in FY2023 alone which includes consideration for acquisition of **Iljin Materials** at KRW 2.7tn. Lotte has also spent KRW 214bn year-to-date on acquisition of 11% shareholding in **Lotte Fine Chemical** which has become a subsidiary in Q3 for better synergy. Such aggressive moves are mounting significant pressure on the firm's balance sheet especially at current time when the industry is undergoing a downcycle caused by over-supply (e.g., ethylene) and declining material prices (e.g., naphtha) leading to inventory revaluation losses. Market consensus on Lotte's FY2022 net profit was brought down steeply to KRW 102bn following worse-than-expected Q3 results from KRW 355bn 3 month ago (-71%) and it translates to a 92% plunge from FY2021's KRW 1.346tn net profit.

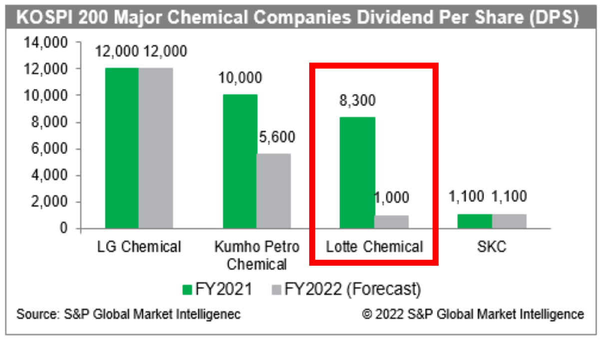
HSI: Substantial dividend boost expected for world's largest pork company

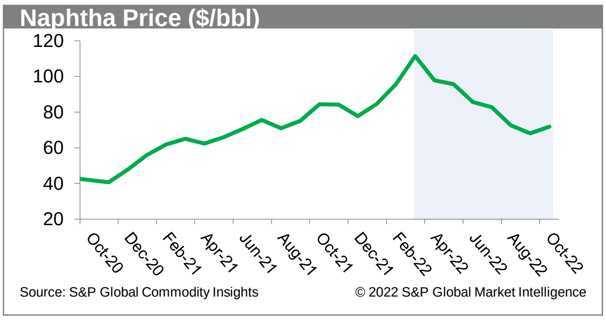
WH Group started to change its earnings structure this year. The company announced in Oct 2022 its decision to sell its US-based seasoning maker to a European company in the same business through its wholly owned US subsidiary **Smithfield Foods**. It expects to recognize a one-time gain of around USD 587mn relating to this disposal in Q4 this year. Its dividend is performance-linked with payout ratio hovering around 40% in previous years but moved lower to 35% last year, probably due to increased leverage. 9M FY22 sales and operating profit increased by 1.7% and 25.2% respectively, driven by strong packaged meat business performance. With strong earnings growth expected for full-year FY22, **S&P Global MI expects the firm to raise its FY22 final dividend significantly to HKD 0.22 (PY: HKD 0.14)**, despite 35% conservative payout ratio.

Nikkei 225: Sharp dividend cutback due to LCD slump

Sharp Corporation, a subsidiary of **Foxconn**, is facing major headwinds in the display market which has negatively affected the operating income in the first half of FY ending March 2023 (-94% YoY). Fall in prices of large LCD panels has led to a significant dip in the bottom- line profit. In addition, the rapid depreciation of Yen deteriorated the gains further. Considering the above uncertainties as well as the impact of China lockdowns on production and customer demand, the company revised down the full year forecast for net income by 90% from earlier forecast, to JPY 5 billion. Accordingly, **S&P Global MI projects a final dividend of JPY 3 per share, a decline of 93% from last year dividend.**







APAC special reports

Qantas Airways: to resume dividends on boosted travel demand

Qantas Airways has guided long-awaited turnaround earlier in October. The earnings guidance was then further upgraded in November.

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Top Glove: the inevitable decline in payout ratio

Glove-producer and a beneficiary of the pandemic-boosted demand experiences normalization of profits, by 97% decline YoY. Dividend cut down is anticipated.

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